

CHAPTER FIFTEEN

AUDIT REQUIREMENTS

MONITORING AND COMPLIANCE REVIEW

General Instructions to Monitoring Staff:

The monitoring of grantee compliance with audit requirements should be conducted through a combination of: (a) "on-site" activities at the local program office (through review of grantee policies and procedures, inspection of files, and interviews of key staff), and (b) a careful review of the audit report(s) submitted by the grantee to DHCD. The issues and concerns identified in this review of the grantee's audit activities should be noted on the Audit Requirements -- Summary Page for Monitoring and Compliance Review found at the end of this chapter.

A. GENERAL INFORMATION

Date(s) of On-Site Review: _____

Date(s) of Receipt of Audit Report(s): _____

Grantee/Project Name: _____

Program Year: _____

Grant #: _____

Grant Term: _____

Local Staff Interviewed:

Name: _____	Title: _____	Location: _____	Date of Interview: _____	Telephone #/e-mail: _____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

B. ISSUES FROM GENERAL PROJECT INFORMATION SUMMARY: *Note: Please refer to Section D of the General Project Information Summary (Chapter One). Any Audit issues that emerged from the completion of the in-house, pre-visit review reflected in Chapter One should be noted below and addressed through interviews and/or correspondence with the local project staff and/or on-site file reviews.*

Issues for On-Site Follow-Up	Related Questions/Citations	Grantee Response and/or Resolution
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Additional Instructions to Monitoring Staff:

AUDIT

Audit compliance is subject to the requirements of OMB Circular A-133, which derive from the Single Audit Act Amendments of 1996). Maryland CDBG Program grantees expending \$300,000 or more in Federal funds in a single year are required to have an audit for that year conducted in accordance with 24 CFR 85.26 and that meets the standards of OMB Circular A-133. A grantee expending less than \$300,000 in a single year in Federal funds should nonetheless (as a good business practice) have an annual independent audit by a Certified Public Accountant (CPA), to help to ensure that the grantee has complied with laws and regulations affecting the expenditure of Federal funds. Moreover, grantees spending less than \$300,000 in Federal funds in a year must still have their records available for review.

Grantees must maintain records that are capable of being audited. OMB Circular A-133 specifies the standards that apply to audits conducted in compliance with the Single Audit Act. However, all independent audits should meet Generally Accepted Accounting Principles (GAAP) and Generally Accepted Government Auditing Standards (GAGAS). The audit should focus on three areas:

- Financial records and statements;
- Internal control systems; and
- Grantee compliance with Maryland CDBG Program requirements.

Audit reports conducted in compliance with OMB A-133 must be provided by the grantee to the Maryland CDBG Program no later than 30 days after the issuance of the report by the auditor, or nine months after the end of the audit period, unless a longer time period has been approved in advance by DHCD.

THE MONITORING PROCESS

Normally, DHCD staff will not monitor grantee compliance with audit requirements during a field visit. However, during the on-site visit, the Reviewer should ensure that the grantee is aware of the applicable audit requirements and, where appropriate, has set aside funds to pay for the audit. The grantee may charge a proportionate share of audit costs to each grant program covered by the audit scope.

When the audit report is received by the Maryland CDBG Program, DHCD staff should identify any findings that must be resolved by the grantee. Grantees should be advised of any findings that must be resolved by letter.

All issues identified during the on-site visit or the review of the audit report(s) should be listed on the [Audit Requirements – Summary Page for Monitoring and Compliance Review](#) found at the end of this chapter of the Handbook.

C. AUDIT REQUIREMENTS

<p style="text-align: center;">AUDIT CHECKLIST</p>	<p>Evidence from On-Site Visit and/or Audit Report(s) Indicate Program Practice Consistent with Applicable Rules & Regulations</p>	<p style="text-align: right;">Comments:</p>
<p>INITIAL ON-SITE ACTIVITIES</p>		
<p><i>Citations: 24 CFR 85.26 and OMB Circular A-133: Single Audit Act Amendments require compliance with A-133, including audit by independent auditor, for grantees or sub-grantees expending \$300,000 or more in Federal funds in a single year.</i></p> <p>1. Grantee Spending Threshold: Did the grantee expend \$300,000 or more in Federal funds (in aggregate) for any year during the term of the Maryland CDBG grant?</p>	<p>Yes No</p>	<p>If "Yes", list the year(s) in which the \$300,000 threshold was met or exceeded:</p>
<p>2. Awareness of Requirements: Is the grantee aware of the Maryland CDBG Program audit requirements?</p>	<p>Yes No</p>	
<p>3. Budgeting for Audits: Has the grantee budgeted funds for the required audit(s)?</p>	<p>Yes No</p>	
<p>4. Organization of Records: Based on a review of the grantee's financial and program records, do the grantee's records appear to be organized for an audit?</p> <p><i>See OMB A-133 , Subpart B.</i></p>	<p>Yes No</p>	
<p>5. Subrecipient Spending Threshold: If the grantee has a subrecipient, did the subrecipient expend \$300,000 or more in Federal funds (in aggregate) for any year during the term of the Maryland CDBG grant?</p>	<p>Yes No</p>	<p>If "Yes", list the year(s) in which the \$300,000 threshold was met or exceeded:</p>

<p style="text-align: center;">AUDIT CHECKLIST</p>	<p style="text-align: center;">Evidence from On-Site Visit and/or Audit Report(s) Indicate Program Practice Consistent with Applicable Rules & Regulations</p>	<p style="text-align: right;">Comments:</p>
<p>18. Subrecipient Audits: (As applicable) Did the grantee ensure that its subrecipients had appropriate independent audits conducted, particularly subrecipients that expended \$300,000 or more in Federal funds in a single year (see response to Question #2, above).</p> <p>See 24 CFR 85.26(b)(1)</p>	<p style="text-align: center;">Yes No</p>	

AUDIT REQUIREMENTS

SUMMARY PAGE FOR MONITORING AND COMPLIANCE REVIEW

Instructions to Monitoring Staff:

In the space below, please note any issues arising from the on-site visit or review of the audit report(s). For any audit concerns or findings identified during the review, provide amplification as necessary, and specify corrective actions that the grantee must take to resolve the issue(s). Also describe the nature of any technical assistance provided. List any follow-up action for the DHCD staff and/or the grantee, and the dates by which such actions must be taken.

Issues/Concerns/Findings (and Relevant Citations):

Necessary Action Steps and/or Resolution (and Deadlines):

Based on the available evidence, has the grantee complied with applicable Single Audit Act requirements?

Yes No

Based on the audit report(s) reviewed, has the grantee complied with all appropriate financial and program requirements pertaining to the Maryland CDBG Program?

Yes No

Maryland DHCD Staff Conducting Review: _____

Date Review Completed: _____